



# **QUARTERLY UPDATE TO THE LEGISLATURE**

## **MEDI-CAL MANAGED CARE PROGRAM**

**For the Reporting Period  
April through June 2012**

**Department of Health Care Services  
Medi-Cal Managed Care Division**

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## **A. PURPOSE OF THE REPORT**

Senate Bill (SB) 77 (Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2005), authorized the Department of Health Care Services (DHCS) to expand the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma, and Ventura.

Since January 1, 2006, DHCS has been required to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS' core activities to improve the Medi-Cal Managed Care Program and to expand into the 13 new counties.

Pursuant to SB 77, the quarterly updates shall include, when applicable:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of State Plan Amendments to the Centers for Medicare and Medicaid Services;
- Submittal of any federal waiver documents; and,
- Applicable key functions related to the effort to expand the Medi-Cal Managed Care Program.

This report is not intended to update the ongoing development and implementation of the Section 1115 Demonstration Waiver. The purpose of this report is to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS' core activities to improve the Medi-Cal Managed Care Program for the expansion into the 13 counties listed above.

This report is a condensed version of previous reports. DHCS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal Managed Care Program:

## **B. AVOIDABLE EMERGENCY ROOM VISITS COLLABORATIVE**

DHCS has worked collaboratively with Medi-Cal managed care health plans (MCPs) to reduce avoidable visits to the emergency room (ER) for the past four years. An avoidable ER visit is a visit that is more appropriately managed by and/or referred to a primary care provider (PCP) through an office or clinic setting. MCPs worked collaboratively to implement two statewide interventions: a health education campaign and a health plan collaboration with a selected network hospital.

The ER Collaborative ended in December 2010 and all MCPs submitted their final ER Collaborative reports to the External Quality Review Organization (EQRO). The EQRO

has completed the final report. The EQRO final report identified some successes in reducing avoidable ER visits as follows:

- Of those MCPs operating in multiple counties, 55 percent of 35 county-specific results showed a statistically significant decline in the avoidable ER visits from 2009 to 2010.
- Twenty-six percent of the county-specific MCPs achieved sustained improvement to reduce avoidable ER visits from the beginning to the end of the collaborative.
- Of the 16 MCPs that formed partnerships with hospitals for the timely exchange of ER data, 7 MCPs (44 percent) reported receiving 94 percent of the data within 5 days, and 9 MCPs (56 percent) reported receiving 100 percent of the data within 15 days of a member's visit to the ER. Two other MCPs reported receiving 11 percent of the data within 15 days.
- A provider survey indicated that 74 percent of the 519 providers surveyed indicated that member health education campaign materials were helpful in talking with patients about the ER.
- A member survey indicated that when a member's doctor spent time explaining the campaign brochure and/or poster with them, 88 percent of those respondents indicated that they would be more likely to call their doctor or the nurse advice line when unsure about visiting the ER. Ninety percent indicated that they were more likely to call their doctor or the nurse advice line if worried about their child's earache, sore throat, cough, cold, or flu.
- A survey of the MCPs conducted after the collaborative ended, indicated that 15 MCPs (83 percent of the respondents) continue to collaborate with hospitals for the timely exchange of ER data, and 13 MCPs (72 percent of the respondents) continue to use the ER brochures.
- The final MCP survey asked MCPs to identify the benefits and value of implementing the ER Collaborative, regardless of whether they were successful in reducing avoidable ER rates. The MCPs identified the following benefits:
  - Fifty-six percent reported improved communication and coordination with hospitals.
  - Sixty-one percent indicated improved communication with providers.
  - Seventy-eight percent indicated increased member awareness of alternate options other than the ER.
  - Fifty percent indicated increased provider awareness of avoidable ER usage.
- The collaborative methodology and campaign materials were shared with other state and private entities to assist in their efforts to reduce avoidable ER visits.

The finalized ER Collaborative Report will be available on the DHCS website by the end of July 2012.

## **C. REDUCING HOSPITAL READMISSIONS**

On July 21, 2011, DHCS kicked off a meeting with MCPs and the EQRO to begin a new collaborative: Reducing Hospital Readmissions Collaborative. Two subcommittees were formed during this meeting: the Guiding Principles Subcommittee; and the Measure Specifications Subcommittee. Both subcommittees were composed of staff from the Medi-Cal Managed Care Division (MMCD), MCPs, and the EQRO.

The Guiding Principles Subcommittee developed and finalized the guiding principles for the Reducing Hospital Readmissions Collaborative. The Measure Specifications Subcommittee reviewed and finalized the Healthcare Effectiveness Data and Information Set (HEDIS) measure specific to the Medi-Cal population.

A hospital readmission is a preventable or avoidable hospital admission that occurs within 30 days after discharge from the first or index admission. MCPs submitted Reducing Hospital Readmissions Collaborative Quality Improvement Project (QIP) proposals on March 30, 2012. All QIP proposals were reviewed by MMCD and validated by the Health Services Advisory Group, DHCS' EQRO. MCPs will submit study design phase data by September 28, 2012.

The MCPs' objectives for the next three years is to work collaboratively to understand the reasons why Medi-Cal members 21 years of age and older are readmitted to the hospital and to identify effective strategies to reduce hospital readmission rates.

## **D. ASSEMBLY BILL 1422 GROSS PREMIUMS TAX SUNSET EXTENSION**

Assembly Bill (AB) 1422 (Bass, Chapter 157, Statutes of 2009) added MCPs to the list of insurers subject to California's gross premiums tax, or Managed Care Organization tax, a 2.35 percent tax on total operating revenue. The proceeds from this tax are appropriated to DHCS for the Medi-Cal Managed Care Program and to the Managed Risk Medical Insurance Board for the Healthy Families program (HFP). The bill increases premiums paid by HFP enrollees, and allows the California Children and Families Commission to transfer monies among its various funds.

The bill took effect retroactively to January 1, 2009, and was scheduled to sunset on January 1, 2011. SB 208 (Steinberg, Chapter 714, Statutes of 2010) extended the sunset date of AB 1422 to June 30, 2011. State Budget Health Trailer Bill ABX1 21 (Blumenfield, Chapter 11, Statutes of 2011) extended the sunset date again from June 30, 2011 to June 30, 2012. DHCS has proposed current trailer bill language to eliminate the sunset date.

## **E. RISK-ADJUSTED CAPITATION RATES**

For rate years beginning in State Fiscal Year 2009-10, DHCS implemented maternity supplemental payments and risk-adjusted capitation rates for MCPs contracting in counties that provide health care under the Two-Plan and Geographic Managed Care

(GMC) models of managed care. The maternity supplemental payments to MCPs were in addition to monthly capitation payments and were based on MCP reports of delivery events.

Capitation rates were risk-adjusted to match each MCP's projected costs to their capitated payments more effectively. To calculate the final capitation rates, the final risk-adjusted scores were applied to the developed county average capitation rates. For the first and second years, risk-adjustments were phased in using a rate comprised of 20 percent risk-adjusted county average rates and 80 percent plan-specific rates. For the third year, risk-adjustments are being phased in using a rate comprised of 25 percent risk-adjusted county average rates and 75 percent plan-specific rates. For the fourth year, risk-adjustments will be phased in using a rate comprised of 35 percent risk-adjusted county average rates and 65 percent plan-specific rates.

## **F. COMMUNITY BASED ADULT SERVICES**

The State Budget Bill for FY 2011/2012 eliminated Adult Day Health Care (ADHC) services. DHCS became the defendant in a lawsuit (*Darling v. Douglas*) to halt the elimination of ADHC. DHCS entered into a settlement agreement with the plaintiffs to establish a new program called Community Based Adult Services (CBAS) that offers some of the same services as ADHC and allows beneficiaries in danger of institutionalization to remain in their communities; however, CBAS has stricter eligibility requirements to achieve cost savings. In Medi-Cal managed care counties, CBAS will be a covered service that is managed by MCPs.

ADHC ended on February 29, 2012, and fee-for-service CBAS began on March 1, 2012. The MCPs operating in County Organized Health System counties will begin covering CBAS July 1, 2012, with the exception of the Gold Coast Health Plan (GCHP) in Ventura County. The Two-Plan and GMC MCPs, along with GCHP, will begin covering CBAS on October 1, 2012.

MCPs have contracted with former ADHC centers that have been certified as CBAS providers. Once CBAS becomes a Medi-Cal managed care covered service, MCPs will assume two responsibilities: (1) the assessment process to determine eligibility for CBAS; and (2) the reassessment process to ensure that CBAS members continue to receive the level of CBAS services needed or to determine if CBAS is still necessary. DHCS has executed contract amendments outlining MCP responsibilities in managing CBAS that included rates to cover the daily provision of CBAS services.

## **G. CENTRAL VALLEY TWO-PLAN MODEL TRANSITION**

Beginning January 1, 2013, two new MCPs will begin operations in Stanislaus and San Joaquin counties.

Currently, in Stanislaus County, Anthem Blue Cross (Anthem) acts as the Local Initiative health plan as designated by the County. Through a county issued Request

for Proposal (RFP), Health Plan of San Joaquin (HPSJ) was recently selected to replace Anthem. DHCS has been working with HPSJ on all plan readiness activities and HPSJ is on track to begin implementation on January 1, 2013.

As part of DHCS' normal procurement schedule, an RFP was released in June 2011 to procure the Commercial Plan (CP) for four central valley counties, including Kern, San Joaquin, Stanislaus, and Tulare. Anthem currently operates as the CP in San Joaquin County, and Health Net operates as the CP in Kern, Stanislaus, and Tulare Counties. As a result of this RFP, Health Net was selected as the CP for all four counties. DHCS is currently working with Health Net on all plan readiness activities to begin implementation on January 1, 2013.

## **H. MEDI-CAL MANAGED CARE QUALITY CONFERENCE**

On April 11, 2012, DHCS, in coordination with the state contracted EQRO, sponsored its annual Medi-Cal Managed Care Quality Conference in Sacramento. This annual conference fulfills the federal obligation for DHCS to provide ongoing "technical assistance" to MCPs relative to quality assurance and quality improvement. The theme of the 2012 conference was "Reducing Readmissions through Safe Transitions of Care." Speakers focused on various aspects of reducing hospital readmissions by improving quality of care; increasing provider, community, and beneficiary engagement; and using data to identify key issues.

During the conference, DHCS presented quality awards to MCPs with outstanding results in the required quality of care performance measures, and for noteworthy contributions to quality improvement in the Medi-Cal Managed Care Program. Conference materials, including a list of MCPs that received the 2012 Quality Awards, are available on the DHCS website at:

<http://www.dhcs.ca.gov/services/Pages/2012MMCDAnnualConf.aspx>

## **I. HEALTHCARE EFFECTIVENESS DATA INFORMATION SET (HEDIS®)**

In December 2011, DHCS released the 2011 HEDIS Aggregate Report for the Medi-Cal Managed Care Program. In accordance with federal requirements, this report presents the annual plan-specific and program results for HEDIS performance measures used by DHCS to assess and evaluate the quality and appropriateness of care and services provided to MCP members. The 2011 report prepared by the EQRO noted that the Medi-Cal Managed Care Program as a whole demonstrated average performance for most measures with strengths in some areas and room for improvement in others.

The Medi-Cal Managed Care Program performed near the national 75th percentile in Childhood Immunization Status and Well-Child Visits in the 3rd, 4th, 5th and 6th Years of Life Measures. Some MCPs demonstrated high performance (above the national 90th percentile) in many of the required measures. MCPs that scored below DHCS' minimum performance level (below the national 25th percentile) were required to submit

corrective action plans. The report acknowledged the Medi-Cal Managed Care Program's commitment to monitor and improve the quality of care and to have a variety of mechanisms to support improvement efforts of MCPs. The report is available on the DHCS website at:

<http://www.dhcs.ca.gov/dataandstats/reports/Pages/MMCDQualPerfMsrRpts.aspx>.



## Attachment A

### Abbreviations and Acronyms

AB	Assembly Bill
ADHC	Adult Day Health Care
Anthem	Anthem Blue Cross
CBAS	Community Based Adult Services
CP	Commercial Plan
DHCS	Department of Health Care Services
EQRO	External Quality Review Organization
ER	Emergency Room
FFS	Fee-For-Service
GCHP	Gold Coast Health Plan
GMC	Geographic Managed Care
HEDIS	Healthcare Effectiveness Data and Information Set
HFP	Healthy Families Program
HPSJ	Health Plan of San Joaquin
MCP	Medi-Cal Managed Care Plan
MMCD	Medi-Cal Managed Care Division
PCP	Primary Care Provider
QIP	Quality Improvement Project
RFP	Request for Proposal
SB	Senate Bill